

for any year beginning before the date of the enactment of this Act as a result of—

- (1) such corporation filing its income tax return on a form 1120 (instead of a form 1120S), or
- (2) a new shareholder not consenting to such election of such corporation in accordance with the requirements of subsection (e) (1) of such section 1372.

72 Stat. 1651.  
26 USC 1372.

Approved January 12, 1971.

Public Law 91-684

AN ACT

January 12, 1971  
[H. R. 18549]

To amend sections 902(b) and 902(c) of the Internal Revenue Code of 1954 to reduce the 50-percent requirement to 10 percent between first and second levels and to include third-level foreign corporations in the tax credit structure if the 10-percent test is met.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 902(b) of the Internal Revenue Code of 1954 is amended to read as follows:

“(b) FOREIGN SUBSIDIARY OF FIRST AND SECOND FOREIGN CORPORATION.—

“(1) If the foreign corporation described in subsection (a) (hereinafter in this subsection referred to as the ‘first foreign corporation’) owns 10 percent or more of the voting stock of a second foreign corporation from which it receives dividends in any taxable year, it shall be deemed to have paid the same proportion of any income, war profits, or excess profits taxes paid or deemed to be paid by such second foreign corporation to any foreign country or to any possession of the United States on or with respect to the accumulated profits of the corporation from which such dividends were paid which—

“(A) for purposes of applying subsection (a)(1), the amount of such dividends bears to the amount of the accumulated profits (as defined in subsection (c)(1)(A)) of such second foreign corporation from which such dividends were paid in excess of such income, war profits, and excess profits taxes, or

“(B) for purposes of applying subsection (a)(2), the amount of such dividends bears to the amount of the accumulated profits (as defined in subsection (c)(1)(B)) of such second foreign corporation from which such dividends were paid.

“(2) If such first foreign corporation owns 10 percent or more of the voting stock of a second foreign corporation which, in turn, owns 10 percent or more of the voting stock of a third foreign corporation from which the second foreign corporation receives dividends in any taxable year, the second foreign corporation shall be deemed to have paid the same proportion of any income, war profits, or excess profits taxes paid by such third foreign corporation to any foreign country or to any possession of the United States on or with respect to the accumulated profits of the corporation from which such dividends were paid which—

“(A) for purposes of applying subsection (a)(1), the amount of such dividends bears to the amount of the accumulated profits (as defined in subsection (c)(1)(A)) of such third foreign corporation from which such dividends were paid in excess of such income, war profits, and excess profits taxes, or

Taxes.  
Foreign corporations,  
foreign tax credit.  
76 Stat. 1000.  
26 USC 902.

“(B) for purposes of applying subsection (a)(2), the amount of such dividends bears to the amount of the accumulated profits (as defined in subsection (c)(1)(B)) of such third foreign corporation from which such dividends were paid.

“(3) For purposes of this subpart, subsection (b)(1) shall not apply unless the percentage of voting stock owned by the domestic corporation in the first foreign corporation and the percentage of voting stock owned by the first foreign corporation in the second foreign corporation when multiplied together equal at least 5 percent, and for purposes of this subpart, subsection (b)(2) shall not apply unless the percentage arrived at for purposes of applying subsection (b)(1) when multiplied by the percentage of voting stock owned by the second foreign corporation in the third foreign corporation is equal to at least 5 percent.”

SEC. 2. Section 902(c)(1) of the Internal Revenue Code of 1954 is amended—

75 Stat. 1000.  
26 USC 902.

(1) by striking out “subsections (a)(1) and (b)(1),” in subparagraph (A) and inserting in lieu thereof the following: “subsections (a)(1), (b)(1)(A), and (b)(2)(A),”; and

(2) by striking out “subsections (a)(2) and (b)(2),” in subparagraph (B) and inserting in lieu thereof the following: “subsections (a)(2), (b)(1)(B), and (b)(2)(B),”.

SEC. 3. The amendments made by this Act shall apply with respect to all taxable years of domestic corporations, ending after the date of enactment of this Act, but only in respect of dividends paid by one corporation to another corporation after the date of the enactment of this Act.

Approved January 12, 1971.

## Public Law 91-685

### AN ACT

To amend the Tariff Act of 1930 to grant to the transferee of merchandise in bonded warehouse the right to administrative review of customs decisions.

January 12, 1971  
[H. R. 19391]

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 557(b) of the Tariff Act of 1930 (19 U.S.C. 1557(b)) is amended by striking out the fourth, fifth, and sixth sentences and inserting in lieu thereof the following: “The transferee shall also have the right to receive all lawful refunds of money paid by him to the United States with respect to the merchandise the subject of the transfer, and shall have the right to file a protest under section 514 of this Act to the same extent that such right would have been available to the transferor. Notice of liquidation shall be given to the transferee in the form and manner prescribed by the Secretary of the Treasury.”

Merchandise  
transferee, pro-  
test right.  
67 Stat. 519.

Ante, p. 284.

SEC. 2. The amendment made by the first section of this Act shall apply with respect to articles entered for warehousing on or after the date of the enactment of this Act.

Approved January 12, 1971.